

COMMONWEALTH OF MASSACHUSETTS
DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY

D.T.E. 06-2

FIRST SET OF INFORMATION REQUESTS TO
SOUTHERN UNION COMPANY

Pursuant to 220 C.M.R. § 1.06(6)(c), the Department of Telecommunications and Energy (“Department”) submits to Southern Union Company (“Southern Union” or “Company”) the following Information Requests.

Instructions

The following instructions apply to this set of Information Requests and all subsequent Information Requests issued by the Department to the Company in this proceeding.

1. Each request should be answered in writing on a separate, three-hole punch page with a recitation of the request, a reference to the request number, the docket number of the case and the name of the person responsible for the answer.
2. Do not wait for all answers to be completed before supplying answers. File the responses as they are completed but no later than the close of business on **January 19, 2006**.
3. These requests shall be deemed continuing so as to require further supplemental responses if the respondent or its witnesses receive or generate additional information within the scope of these requests between the time of the original response and the close of the record in this proceeding.
4. The term “document” is used in its broadest sense and includes, without limitation, writings, drawings, graphs, charts, photographs, phono-records, microfilm, microfiche, computer printouts, correspondence, handwritten notes, records or reports, bills, checks, articles from journals or other sources and other data compilations from which information can be obtained and all copies of such documents that bear notations or other markings that differentiate such copies from the original.
5. If any one of these requests is ambiguous, notify the Hearing Officer so that the request may be clarified prior to the preparation of a written response.
6. Please serve one (1) original copy of the responses on Mary Cottrell, Secretary of the Department, and one (1) copy to each party on the latest service list. Also submit five (5) copies of the responses to Jesse S. Reyes, Hearing Officer. Nonproprietary

responses should also be submitted electronically by e-mail attachment to dte.efiling@state.ma.us and to all persons on the service list.

7. Responses for which the Company seeks protective treatment should be marked confidential, along with an attached motion for protective treatment, and submitted to the Hearing Officer. Redacted copies should be filed with the Secretary.

Information Requests

- | | |
|---------|--|
| DTE-1-1 | Refer to page 6 of Exhibit SU-1. Please explain why the Company must pledge both its ownership interest in Panhandle Eastern and the assets acquired from Sid Richardson Energy Services, Ltd. and Richardson Energy Marketing, Ltd. (together “SRES”) as collateral to the bridge loan lending parties. |
| DTE-1-2 | Refer to page 6 of Exhibit SU-1. Please explain why there will be no debt outstanding at the Southern Union Gathering Company (“SUGC”) level following the acquisition. |
| DTE-1-3 | Refer to page 6 of Exhibit SU-1. Has the Company previously utilized bridge financing to finance a transaction of this magnitude? If the response is affirmative, please identify those transactions. |
| DTE-1-4 | Refer to page 9 of Exhibit SU-1. Does the Company have any definite plans to “sell off” one or more of its distribution gas companies to pay down a portion of the bridge loan. If the response is affirmative, please identify the companies to be sold. |
| DTE-1-5 | Please provide documentation in the possession of Southern Union of an outside investment opinion regarding the appropriateness of the purchase price for SRES. |
| DTE-1-6 | Please provide the Company’s current weighted cost of capital and the Company’s weighted cost of capital once the short-term bridge financing is replaced by permanent financing. |
| DTE-1-7 | Refer to page 8 of Exhibit SU-1. Please describe and quantify the potential “financial and operating synergies that will help to control and/or reduce costs for the overall system.” Include all assumptions and factors that may materially affect the result. |

- DTE-1-8 Please describe all risks and uncertainties associated with the loans and the purchase that may materially affect the financial stability of Southern Union.
- DTE-1-9 Refer to Exhibit SU-2, Recitals and Section 1.1 (“General Partner Interests” and “Leapartners”). Please describe the interest in Leapartners, L.P. to be acquired. How will the acquisition of Leapartners, L.P. further the operations of Southern Union?
- DTE-1-10 Refer to page 6 of Exhibit SU-1. Please describe and quantify how the acquisition and integration of SRES into the Southern Union operations will help “provide stable and predictable cash flows.” Include all assumptions and factors that may materially affect the result.
- DTE-1-11 Refer to page 6 of Exhibit SU-1. Please describe and quantify how the acquisition and integration of SRES into the Southern Union operations will benefit the customers of New England Gas Company. Include all assumptions and factors that may materially affect the result.
- DTE-1-12 Please provide a copy of any filings made with the U.S. Securities and Exchange Commission by Southern Union, Southern Union Panhandle LLC, or Southern Union Gathering Company LLC pertaining to the acquisition of SRES.
- DTE-1-13 Please provide a copy of Southern Union’s most recent (a) 10-K Report and (b) 10-Q Report.
- DTE-1-14 Refer to Exhibit SU-2, Section 4.4 “Financial Statements.” Please provide a copy of the financial statements contained in Schedule 4.4.
- DTE-1-15 What are the expected terms of the short-term bridge financing that Southern Union will secure for this transaction?
- DTE-1-16 When does Southern Union expect to know the details of the permanent financing arrangements that would be secured to repay the bridge loan and fund the investment in SUGC?
- DTE-1-17 What is the most recent bond rating for SRES?
- DTE-1-18 Refer to page 6 of Exhibit SU-1. Please explain whether the acquisition of SRES is expected to provide any of the following benefits to Southern Union and, in particular, to New England Gas Company: (a) improving customer service, (b) increasing access to capital markets, (c) increasing operating

margins, (d) improving employee relations, (e) improving the overall financial position, or (f) allowing for a more cost-effective use of internal resources.

DTE-1-19 Identify all regulatory approvals necessary for the completion of this transaction.